

## APPENDIX B

### SKOKOMISH INDIAN TRIBE - STATE OF WASHINGTON CLASS III GAMING COMPACT

#### RULES GOVERNING CLASS III GAMING on the SKOKOMISH INDIAN RESERVATION

##### SECTION 1. PUNCHBOARDS AND PULL-TABS

The Tribe may sell punchboards and pull-tabs in the facility and at other locations on the Skokomish Indian Reservation subject to regulation by the Tribe and other than at a location where bingo is played. Such punchboards and pull-tabs shall be sold in a manner consistent with the sale of punchboards and pull-tabs at any location on the Skokomish Indian Reservation where bingo is played.

##### SECTION 2. SATELLITE (OFF-TRACK) WAGERING ON HORSE RACES

###### 2.1 DEFINITIONS.

2.1.1 "Conventional parimutuel pool" means the total wager under the parimutuel system on any horse or horses in a particular race to win, place, or show.

2.1.2 "Commission Regulations" means Title 260 WAC.

2.1.3 "Exotic parimutuel pool" means the total wagers under the parimutuel system on the finishing position of two or more horses in a particular race, such as Quinella or Exacta wagers, or on horses to win two or more races, such as Daily Double wagers, Pick Six wagers, or on other wagers other than conventional parimutuel pool wagers.

2.1.4 "Horse Racing Law" means Chapter 67.16 RCW.

2.1.5 "Parimutuel wagering" means a form of wagering on the outcome of horse races in which those who wager purchase tickets of various denominations on a horse or horses in one or more races. When the outcome of the race or races has been declared official, there is a distribution of the total wagers comprising each pool, less any amounts permitted to be retained by law or under this Compact, to holders of winning tickets on the winning horse or horses.

2.1.6 "Satellite Wagering" means parimutuel wagering on simulcast results.

2.1.7 "Satellite wagering facility" means any facility in which satellite wagering is conducted.

2.1.8 "Simulcast" means the simultaneous television or radio transmission of a race to a facility other than where the race meet is being held.

2.1.9 "Wagering employee" means any person who is employed by the Tribe or at any satellite wagering facility hereunder to handle any monies, materials, records or equipment related to the satellite wagering permitted herein, or who supervises any person who does so or supervises any such supervisor.

2.1.10 Except as otherwise provided herein, meanings ascribed to terms used in the Horse Racing Law and the Commission Regulations are hereby adopted by reference wherever such terms are used in this Compact.

2.2 APPLICABILITY OF LAWS. Wagering at the Skokomish Indian Tribal satellite wagering facility will be conducted in accordance with this Compact, the Indian Gaming Regulatory Act, the Interstate Horseracing Act, any ordinances or regulations adopted by the Tribe, and Washington Horse Racing Laws as made applicable herein. Nothing herein shall otherwise be deemed a prohibition upon or

limitation upon tribal operation of a satellite wagering facility by the Tribe or on behalf of the Tribe.

## 2.3 REGULATION OF SATELLITE (OFF-TRACK) WAGERING.

2.3.1 Wagering Permitted. The Tribe is entitled to operate a single satellite wagering facility pursuant to this Compact subject to the following terms and conditions:

a. Unless permitted in accordance with subparagraph c., below, Tribe may conduct satellite wagering only on events simulcast from any Washington State track (whether of a live race, or an authorized simulcast of an out-of-state signal) on the same terms and conditions permitted any other satellite wagering facility in the State without limitation on the distance such tribal facility is from a live race meet, provided, the Tribe is entitled to receive simulcast signals from each Washington State track on terms at least as advantageous as those made available by such track to any other satellite facility operated at a track holding a Class A or Class B Washington Horseracing Commission license or at any other facility operated or leased by an entity holding such a license. Negotiations conducted between the Tribe and the track shall cover areas including, but not limited to, the following: percent of handle received; equipment required and who provides such equipment; who provides wagering employees; and how and on what schedule funds will be transferred. All wagers accepted at the tribal facility on such events shall be made into the parimutuel pool of the Washington State track which provides the simulcast signal, and shall be deemed to have been made at the location of such pool for the purposes of assessment of fees, charges, taxes or other assessments. Nothing herein shall prohibit assessment by the Tribe of taxes, fees or other charges for wagering conducted at the tribal facility, nor shall the State or any of its political subdivisions be authorized to impose any taxes, fees, charges or assessments upon the Tribe or any person or entity authorized to conduct such activities on behalf of the Tribe

for the satellite wagering activities regulated hereunder, other than those generally applicable to the parimutuel pool.

b. In the event the Tribe believes it is not offered simulcast signals from a Washington State track on terms at least as advantageous as those made available by such track to the other satellite wagering operators as set forth in subparagraph a., above, the Tribe may request a formal determination from the Commission. The sole issues in such determination will be whether the Washington State track provides terms to those other satellite wagering operators which are more advantageous than those offered to the Tribe and, if so, what terms are less advantageous to the Tribe. Provided, the Commission shall conduct a hearing and render a decision within ninety (90) days after receipt of the request for a determination from the Tribe, and further provided, that if the Commission decision is not rendered within that time, the Tribe is entitled to conduct satellite wagering in accordance with the provisions of subparagraph c., below. If the Commission determines that the terms offered Tribe are less advantageous, the Washington State track shall have thirty (30) days to offer terms that are at least as advantageous to the Tribe, or the Tribe will be entitled to conduct satellite wagering in accordance with subparagraph c., below. If the Tribe disputes the determination of the Commission regarding whether the terms offered to the Tribe are less advantageous, the Tribe or State may request arbitration under Section XII.B.3.b.'s final and unappealable arbitration provisions.

c. If, following an adverse determination from the Commission, the Washington State track does not offer the terms identified by the Commission in accordance with subparagraph b., above, the Tribe shall be entitled to negotiate for and receive simulcast signals from out-of-state races for an equivalent number of races, to be offered within the subsequent twelve (12) month period, on such terms and conditions as it may obtain. Acceptance of signals from out-of-state tracks shall be made in compliance with the Interstate Horseracing Act, 15 USC §3001, et seq. Nothing in this section (Section 4) shall be deemed to limit

acceptance of satellite wagers to the extent permitted under the Interstate Horseracing Act. Consent of the Commission, as required under the Interstate Horseracing Act shall not be unreasonably withheld. For disputes concerning whether the Commission has unreasonably withheld its consent, the Tribe or the State may request arbitration under Section XII.B.3.b.'s final and unappealable arbitration provisions.

2.3.2 Hours of Operation. The wagering authorized in the Tribe's satellite wagering facility shall be conducted within the eighty (80) hours per week, averaged annually, or as otherwise authorized for Class III gaming under Section III.I of this Compact. Provided, however, when a track providing a simulcast to the tribal facility operates outside the Tribe's regularly scheduled 80 hours of operation, then the satellite wagering portion of the Class III facility authorized under this Compact may be open to the public during the time the sending track is open to the general public.

2.3.3 Approval of Facility. Subject to approval of the physical adequacy of the facility, the Skokomish Indian Reservation is hereby approved as location for the conduct of satellite wagering as permitted under this Compact. The right of Tribe to conduct satellite wagering from a facility at such location shall not be affected by its distance from any live race meet being broadcast to such facility, and statutes and regulations imposing distance limitations on the location of satellite wagering facilities relative to live race meets, including but not limited to RCW 67.16.200(c), shall not be applicable to Tribe.

2.3.4 Wagering Rules. All of the rules set forth in Chapter 260-48 WAC ("Mutuels") are hereby incorporated by reference as being applicable to any satellite wagering facility authorized hereunder, subject to the following qualifications:

2.3.4.1 References therein to "racing associations" shall mean the Tribe.

2.3.4.2 References therein to "enclosure of any race track" shall mean the satellite wagering facilities authorized hereunder.

2.3.4.3 Parimutuel machines shall be locked at the time and by the same means as are applicable to parimutuel machines at other satellite wagering facilities within the State or as otherwise required by the parimutuel pool operator at the host race track or other authorized source, if different therefrom, but in all cases prior to the start of any race for which bets are being accepted.

2.3.4.4 References to "the manager of the parimutuel department" shall refer to any person appointed to manage the satellite wagering facility authorized under this Compact.

2.3.4.5 The Tribe may accept exotic bets, including but not limited to daily doubles, quinellas, exactas, wagering on "short fields", daily triples, "Pick n", trifectas, and other exotic bets to the extent made available through parimutuel pools by the parimutuel pool operator.

2.3.5 Other Facilities Within Area. In the event the Commission considers allocation of exclusive or limited areas in which satellite wagering facilities may be located, the Commission will give good faith consideration to designating the Skokomish Indian Tribe's satellite wagering facility as one of those exclusive or limited area satellite wagering sites. Notwithstanding the foregoing, the conduct of satellite wagering at any other facility, including a live racing facility, in the State shall not affect the right of the Tribe to operate its satellite wagering facility at any time.

2.3.6 Amounts Received by Tribe. The Tribe may receive from parimutuel wagers made at its satellite wagering

facility such amounts as may be negotiated between it and the operator of the parimutuel pool (track).

2.3.7 Security Control. The Tribe shall maintain such security controls over any satellite wagering facility authorized hereunder as would be required by the Commission for a comparable facility off the Reservation. The Tribe shall remove, deny access to, eject or exclude persons whose presence within such facility would be contrary to the interests of the Tribe or the State in operating an honest, legitimate facility or in meeting the goals and objectives of this Compact or the Act.

2.3.8 Accounting Practices and Audits. Any satellite wagering facility authorized hereunder shall maintain its books and records in accordance with generally accepted accounting principles and such rules and regulations, if any, as are applied to satellite wagering facilities in the State.

### **SECTION 3. KENO RULES AND REGULATIONS.**

#### **3.1 MAINTENANCE.**

3.1.1 There is effective maintenance planned to service keno equipment, including computer program updates, hardware servicing, and keno ball selection equipment (i.e., service contract with lessor).

3.1.2 Keno equipment maintenance (excluding keno balls) is independent of the keno function.

3.1.3 Keno maintenance reports irregularities to management personnel independent of keno.

### 3.2 GAME PLAY STANDARDS.

3.2.1 The computerized customer ticket includes the date, game number, conditioning, ticket sequence number and the station number.

3.2.2 Concurrently with the generation of the ticket the information on the ticket is printed on a transaction log.

3.2.3 When it is necessary to void a ticket, the void information is input in the computer and the computer documents the appropriate information pertaining to the voided wager (e.g., void slip is issued or equivalent documentation is generated).

3.2.4 Controls exist to prevent the writing and voiding of tickets after a game has been closed and after the number selection process has begun.

3.2.5 The controls in effect for tickets prepared in outstations (if applicable) are identical to those in effect for the primary keno game.

### 3.3 RABBIT EAR SYSTEM.

3.3.1 A camera is utilized to film the following prior to, and subsequent to the calling of a game, respectively: empty rabbit ears, date and time, game number, and full rabbit ears.

3.3.2 The picture of the rabbit ears on the camera provides a legible identification of the numbers on the balls drawn.

3.3.3 Keno personnel immediately input the selected numbers in the computer and the computer documents the date, game number, the time the game was closed, and the numbers drawn.



3.3.4 Back-up keno ball inventories are secured in a manner to prevent unauthorized access.

3.3.5 Effective procedures are established for inspecting new keno balls put into play as well as for those in use.

#### 3.4 NUMBER SELECTION - RANDOM NUMBER GENERATOR.

3.4.1 The random number generator is linked to the computer system and directly relays the numbers selected into the computer for preparation of a draw ticket without manual input.

3.4.2 The random number generator has received Tribal and State Agency approval as a gaming device.

#### 3.5 WINNING TICKET VERIFICATION AND PAYMENT.

3.5.1 The sequence number of tickets presented for payment is input into the computer, and the payment amount generated by the computer is given to the patron.

3.5.2 Procedures are established to preclude payment on tickets previously presented for payment, unclaimed winning tickets (sleepers) after a specified period of time, voided tickets, and tickets which have not been issued yet.

3.5.3 All payouts are supported by the customer (computer-generated) copy of the winning ticket (payout amount is indicated on the customer ticket or a payment slip is issued).

3.5.4 A manual report is produced and maintained documenting any payments made on tickets which are not authorized by the computer.

3.5.5 Winning tickets over a specified dollar amount (not to exceed \$10,000 for locations with more than \$5,000,000

annual keno write and \$3,000 for all other locations) also require the following:

(a) Approval of management personnel independent of the keno department evidenced by their signature.

(b) Development of films of rabbit ears to verify the legitimacy of the draw and the accuracy of the draw ticket (for rabbit ear systems only).

(c) Comparison of the winning customer copy to the computer reports.

(d) Regrading of the customer copy using the payout schedule and draw information.

(e) Documentation of the performance of all of the above on a ball check (or proof of win) form. Alternatively, if the computer adequately records the above the resulting documentation may be substituted.

### 3.6 CHECK OUT STANDARDS.

3.6.1 A cash summary report (count sheet) is prepared at the conclusion of each shift which includes:

(a) Computation of cash proceeds for the shift by bank (i.e., community bank or individual writer banks, whichever is applicable).

(b) The signatures of at least two employees who have verified the cash proceeds recorded in the above computation.

### 3.7 STATISTICS.

3.7.1 Records are maintained which include win and write by either individual writer for each shift or for each game (race) during the shift.

3.7.2 Records are maintained which include (for each licensed game) win, write, and win-to-write hold percentage for:

- (a) Each shift;
- (b) Each day;
- (c) Month-to-date;
- (d) Year-to-date.

3.7.3 Non-keno management reviews keno statistical data at least on a monthly basis and investigates any large or unusual statistical variances.

3.7.4 Such investigations are documented and maintained for Board inspection.

### 3.8 SYSTEM SECURITY STANDARDS.

3.8.1 Access to the computer system is adequately restricted.

3.8.2 Keys to sensitive computer hardware in the keno area are maintained by a department independent of the keno function.

3.8.3 Someone independent of the keno department is required to accompany such keys to the keno area and observe changes or repairs each time the sensitive areas are accessed.

3.8.4 Duplicate keys to the above areas are maintained by someone who is independent of keno department.

### 3.9 DOCUMENTATION.

3.9.1 Adequate documentation of all pertinent keno information is generated by the computer system.

3.9.2 This documentation is restricted to authorized personnel.

3.9.3 The documentation is to include, at a minimum:

- (a) Ticket information (mirror image).
- (b) Payout information.
- (c) Game information (number, ball draw, time, etc.)
- (d) System exception information, including:
  - (1) Voids.
  - (2) Late pays.
  - (3) Appropriate system parameter information.

### 3.10 KENO AUDIT.

3.10.1 The keno audit function is independent of the keno department.

3.10.2 On a sample basis (for at least one shift bi-monthly) keno audit performs the following:

- (a) Foot the write on the restricted copy of keno transaction report and compare the game (race) total to the total as documented by the computer.

**Note:** The restricted copy may be retained on computer storage media, but in any case, access by keno personnel is precluded.

(b) Foot the customer copy of the payouts and trace the game (race) total to the payout report.

(c) Regrade at least 10% of the winning tickets in the races selected using the payout schedule and draw ticket.

**Note:** The above procedure can be reduced if an adequate alternative software analysis is performed to the satisfaction of the Audit Division.

3.10.3 Keno audit also performs the following:

(a) On a sample basis (a minimum of five races per week) compare the film of the rabbit ears to the draw ticket (or equivalent document) and computer transaction summary.

**Note:** If a random number generator is used, then at least weekly the number generator report is reviewed for potential numerical patterns.

(b) Compare net cash proceeds to the audited win/loss by shift and investigate any large cash overages or shortages (i.e., in excess of \$25.00).

(c) Review and regrade all winning tickets greater than or equal to \$1,500, including all forms which document that proper authorizations and verifications were obtained and performed.

(d) Review the documentation for payout adjustments made outside the computer and investigate large and frequent payments.

(e) Review all other pertinent documentation, as applicable.

3.10.4 When the keno game is operated by one person:

(a) All winning tickets in excess of \$100 and at least 5% of all other winning tickets (inside and customer copies) are regraded and traced to the computer payout report, and

(b) Film of rabbit ears is randomly compared to computer draw tickets for at least 10% of the races during the shift (not applicable for a random number generator).

(c) All winning tickets in excess of an amount to be determined by management (not to exceed \$600) must be reviewed and authorized by someone independent of the keno department.

3.10.5 In the event any person performs the writer and deskman functions on the same shift, the procedures described in standard 36 (using the sample sizes indicated) are performed on tickets written by that person.

3.10.6 Documentation (i.e., a log, checklist, etc.) is maintained evidencing the performance of all keno audit procedures.

3.10.7 Non-keno management reviews keno audit exceptions, and performs and documents investigations into unresolved exceptions.

3.11 MISCELLANEOUS.

3.11.1 All copies of all keno tickets are maintained for at least 7 days.

3.11.2 All copies of winning keno tickets of \$1,500 or more are maintained for at least five (5) business years. This includes restricted copies.